

## Arizona LGIP Pool 5 Rated 'AAAf/S1+'

**Primary Credit Analysts:**

Guyana Johnson  
Chicago  
(1) 312-233-7008  
guyana\_johnson@  
standardandpoors.com

**Secondary Credit Analysts:**

Peter Rizzo  
New York  
(1) 212-438-5059  
peter\_rizzo@  
standardandpoors.com

CHICAGO (Standard & Poor's) Nov. 10, 2008—Standard & Poor's Ratings Services said today that it assigned its 'AAAf' fund credit quality and 'S1+' fund volatility rating to the state of Arizona Local Government Pool 5. This is our first local government investment pool rating in Arizona.

The 'AAAf' rating is based on the pool's high credit quality portfolio, with more than 75% of its assets in 'AAA' rated securities and the balance in 'AA' and 'A' rated issuers. The 'S1+' rating is based on the high degree of safety and liquidity of pool holdings and a conservative stated weighted average maturity maximum of 120 days.

State Treasurer Dean Martin is the CFO for the State, overseeing more than \$11 billion in assets. The Investment Division of the State Treasurer's Office of the State of Arizona is responsible for day-to-day management of the state's pooled investment funds.

There are now two distinct layers of oversight for the Investment Division—the Investment Risk Management Committee (IRMC) and the State Board of Investment (SBOI). The IRMC oversees the investment decisions and activities under the direction of the Treasurer. The SBOI reviews the investment of state monies, serving as trustee of the Permanent Land Trust Funds, and approves the Investment Policy of the State Treasurer's Office. The Bank of New York is the custodian for pool assets.

Pool 5 is commonly referred to as the Local Government Investment Pool (LGIP). Its primary objective is to provide safety of principal followed by maintenance of liquidity and return on investment. The various state departments, universities, and local governments are the pool's predominant investors. LGIP/Pool5 provides short-term investment services for a wide array of public entities. Pool 5 is one of the largest investment pools managed by the Investment Division, with total investments of more than \$2.5 billion as of Oct. 31, 2008. Eligible portfolio holdings are typically comprised of highly rated securities, including high-grade corporate debt, commercial paper, and U.S. government and agency securities.

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The 'AAAf' rating signifies that the pool's holdings provide extremely strong protection against losses from credit defaults. The seven-category credit quality rating scale ranges from 'AAAf' (highest level of protection) to 'CCCF' (least protection). The ratings from 'AAAf' to 'CCCF' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

The 'S1+' volatility rating signifies that a fund possesses an extremely low sensitivity to changing market conditions. 'S1+' rated funds typically exhibit a level of risk that is less than or equal to that of a portfolio comprised of the highest quality fixed-income instruments with an average maturity of one year or less. As part of our volatility analysis, we assessed the pool's management, portfolio-level risk, target durations, and comparable return strategies. Volatility ratings range from lowest volatility ('S1', with certain funds designated a plus sign [+] to indicate the fund's extremely low sensitivity to changing market conditions) to highest volatility ('S6'). We monitor fund credit and volatility rated pools monthly.

Complete ratings information is available to subscribers of RatingsDirect, Standard & Poor's Web-based credit analysis system, at [www.ratingsdirect.com](http://www.ratingsdirect.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com); under Credit Ratings in the left navigation area, select Find a Rating, then Credit Ratings Search.

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